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LETTER DATED 9 APRIL 1998 FROM THE SECRETARY-GENERAL ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

I have the honour to tranmit to you herewith a letter dated 9 April 1998 from the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina (see annex).

I should be grateful if you would bring this letter to the attention of the members of the Security Council.

(Signed) Kofi A. ANNAN

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Annex

Letter dated 9 April 1998 from the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina addressed to the Secretary-General

I have the honour to transmit to you the ninth report on the activities of the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina. I would appreciate your making this report available to the Security Council.

(Signed) Carlos WESTENDORP

Appendix

Report of the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina to the Secretary-General

I. INTRODUCTION

1. By its resolution 1112 (1997) of 12 June 1997, the Security Council endorsed my appointment as High Representative and reaffirmed the importance of the role of the High Representative "in monitoring the implementation of the Peace Agreement and giving guidance to and coordinating the activities of the civilian organizations and agencies involved in assisting the parties to implement the Peace Agreement".

2. Pursuant to Security Council resolution 1031 (1995) of 15 December 1995, in which the Council requested the Secretary-General to submit reports from the High Representative in accordance with Annex 10 of the Peace Agreement and conclusions of the London Peace Implementation Conference of 8 and 9 December 1995, I herewith present the ninth report to the Council.

3. The report covers the activities of the Office of the High Representative and developments in the areas listed below during the period from the beginning of January 1998 to the end of March 1998.

II. INSTITUTIONAL ASPECTS

Office of the High Representative

4. The period under review was productive in many respects, primarily in the encouragement of normal life in Bosnia and Herzegovina and the establishment of peace and stability in the country. Substantial progress has been made in enhancing the climate of reconciliation and tolerance, ensuring freedom of movement, and minority returns. Positive results also include arrangements on a common passport, flag, licence plates, currency, etc. The situation in the Republika Srpska was particularly much improved and the new Government there made a profound difference to our dealings with this entity. Thus, the programme of action approved at the Bonn Peace Implementation Conference of 9 and 10 December 1997 is working effectively - further embedding the peace settlement. However, the peace process has not yet become irreversible and a number of critical problems remain: tension around Brcko, complications in implementing the results of municipal elections; strained relations between Bosniaks and Croats especially in Mostar and Central Bosnia, among other difficulties. I was using the powers given to me by the Bonn Conference in a moderate way in order to avoid "a dependency syndrome" which might discourage initiative and the taking of responsibility by the Bosnia and Herzegovina authorities for the country's destiny.

5. Therefore, now as never before, the task of making Bosnian common institutions self-sustaining and self-supporting becomes extremely important. Only well coordinated and constructive work of the representatives of all the

constituent peoples within the framework of their power structures will make possible the solving of the complicated problems which Bosnia and Herzegovina faces. In this respect the next few months will be crucial in the lead-up to the general elections in September which will guide the direction of the country for the next four years. I intend to proceed from the assumption that the positive dynamics which have been achieved can be preserved and further taken forward through the consistent realization of the requirements of the Bonn Conference which clearly outlined the parameters for the involvement of the international community in Bosnia and Herzegovina for the remainder of the consolidation period. The nurturing of self-sustaining common structures committed to in the Peace Agreement remains a central task.

6. My headquarters in Sarajevo and the secretariat in Brussels have, in the period under review, continued to maintain operational coordination of civilian implementation activities inside Bosnia and Herzegovina, as well as contacts with the headquarters of the respective implementation organizations and agencies, closely following, to the extent possible, the various international forums dealing with different aspects of the Bosnian peace process.

7. My regional offices in Mostar, Tuzla and Banja Luka continued to promote regional coordination and monitoring of the situation on the ground and to facilitate contacts at a local level, assisting inter-entity cooperation. Given the positive developments in the Republika Srpska I intend to further strengthen the regional offices in Banja Luka.

8. During the period described, the termination of assignments of the majority of international staff seconded to the Office of the High Representative by the respective Governments resulted in substantial personnel turnover. The capacity achieved by my Office to conduct pro-active and follow-up action could be further developed if countries that contribute personnel maintained their current level of commitment. I am thankful to the Governments who have replaced or extended the terms of duty of the staff and hope that steady contribution in this regard will be maintained.

Peace Implementation Council

9. The Steering Board of the Peace Implementation Council has continued to meet on a monthly basis at the level of political directors of respective Foreign Ministries. I have also convened weekly meetings of the Board at the ambassadorial level in Sarajevo. Each monthly meeting was devoted to specific issues of the peace process, special emphasis being placed on the implementation of the Bonn Conclusions. Thus, the meeting held in Brussels on 29 January concentrated on Brcko and municipal elections implementation and future elections, while the meeting on 27 February focused on the Federation. A further meeting on 26 March in Brussels dealt primarily with reconstruction and return issues. Preparations are already under way for the next mid-term Ministerial Steering Board meeting, to be held in Paris in June.

Brcko dispute

10. One of the most contentious and publicly debated issues in the reporting period has been the Brcko Arbitration. After the Vienna hearings in February,

the Tribunal issued a Supplemental Award for Brcko on 15 March which maintains the current status quo under the present international supervision arrangements and defers a final arbitration award to the end of 1998-early 1999. Although blamed by politicians and public in both entities for being inconclusive, the Supplemental Award did not lead to "spontaneous" expressions of dissatisfaction. The Republika Srpska decided to set up a special government commission with Bosniak participation to ensure implementation of the Award as regards refugee return and restoration of Brcko as a multi-ethnic community. The further development of the multi-ethnic police, judiciary and administration in Brcko has continued. Particular success has been achieved with the police, this being due to the high standard of the work of the International Police Task Force (IPTF) and the United Nations Civil Affairs Office. The return of refugees and displaced persons has continued and now over 800 families are back in their homes, with over 1,000 houses under reconstruction. Freedom of movement is improving both for vehicles and for visitors to Brcko town. Some increase in the amount of financial assistance is now apparent, but more will be required if a full revitalization of the economy of Brcko is to happen.

11. The way ahead for Brcko will now be a strengthened determination by both entities to be seen to comply with the Peace Agreement. The onus is now very much on the new Government of Republika Srpska to deliver a significantly higher level of cooperation with the international community than did its predecessor. The Federation will increase its pressure to ensure that it does. An active campaign to return more people to their homes will only succeed well if a two-way return process develops and, whilst Republika Srpska must do more, the Federation must also improve in this requirement. The multi-ethnic nature of Brcko will need to continue to develop, but this will depend upon the revitalization of the economy to bring more jobs and security to the population.

III. COORDINATION OF CIVILIAN IMPLEMENTATION

Overall coordination

12. I have continued extensive consultations with representatives of Governments and organizations at different levels. On 9 February I met the Secretary-General and other senior United Nations officials in New York and on the same day reported to the members of the Security Council on progress in the peace implementation. I also had meetings with the Secretary General of NATO and the Chairman-in-Office of the Organization for Security and Cooperation in Europe (OSCE).

13. Regular discussions with the principals in Sarajevo have been maintained. These consultations, with the participation of the Special Representative of the Secretary-General, the IPTF Commissioner, the Special Envoy of the United Nations High Commissioner for Refugees, the Commander of the Stabilization Force (SFOR) and the OSCE Head of Mission, proved to be very useful and I shall continue them.

14. The Economic Task Force, which meets under my chairmanship, remains the main body for coordinating economic reform policies and international reconstruction assistance. Recently its role has been strengthened by the

establishment of an Economic Task Force secretariat. This secretariat has initiated monthly meetings with sector task force leaders and bilateral donors in order to improve the level of coordination. Also, it publishes a monthly newsletter to keep the international community informed on economic reform and reconstruction issues.

15. Following the appointment of my Deputy with responsibility for Return and Reconstruction Task Force matters, the Return and Reconstruction Task Force has been restructured and relaunched. The representatives of the International Organization for Migration, SFOR and the United Nations Mission in Bosnia and Herzegovina (UNMIBH) are all now full members of the Task Force, and following the approval of the Steering Board on 26 March a secretariat is being established. A high-level Return and Reconstruction Task Force meeting was held in Sarajevo on 19 March. This meeting agreed the overall return strategy for 1998, and endorsed a paper which will be presented to the next donor conference. Regional Task Force structures have already been strengthened and a satellite office opened in Drvar. In close cooperation with the Office of the United Nations High Commissioner for Refugees substantial support has been given through political interventions to assist the local authorities with the preparation of cantonal return plans as required by the Bonn Conference.

16. The Freedom of Movement Task Force has continued to be a valuable forum for exploring various ways to promote freedom of movement for people, goods and services.

Common institutions of Bosnia and Herzegovina

17. The process of establishing the common institutions of Bosnia and Herzegovina proceeds steadily. The Presidency, the Council of Ministers and the Parliamentary Assembly have continued to meet regularly in the reporting period. However, the efficiency of their work, although it has improved, is still hindered by a lack of political will to take decisions. My Office intends to work intensively on reaching agreement on administrative structures and their permanent locations.

18. In the reporting period, the Presidency held few working sessions, but met frequently with high-ranking international delegations. The results of the working meetings have been limited; the only decision of note is the long-awaited appointment of the 33 new Ambassadors of Bosnia and Herzegovina. This follows the agreement of August 1997 on the distribution of ambassadorial posts.

19. The three-member Presidency failed to agree on several crucial issues, most prominent of which was the common currency, which, as a consequence, I was forced to impose in accordance with the Conclusions of the Bonn Conference.

20. The Council of Ministers on various occasions again referred issues to the Presidency upon which it was unable to agree. This was often a function of the lack of clear procedures governing the Council itself, and of the differing interpretations of the respective areas of competence of these two bodies. This practice weakened the political position of the Council, which should serve as the major policy and decision-making organ at the state level. The Council

nonetheless continued to stand out as the most active of the common institutions, meeting on average at least once weekly.

21. During the period under review, the Council continued its efforts to implement the Law on Travel Documents and on the Council of Ministers. On 26 March, the Council took a significant step forward by accepting in its entirety a package my Office had proposed, which offers clear solutions on the three key issues of permanent locations of the Council and its ministries, the staffing of the Council's services and the internal structures of the three Ministries. The Council must also ensure proper implementation of the Law on Citizenship which I imposed on an interim basis last December. Progress on other issues has been slow.

22. My Office will continue to work intensively with Council members and staff to maintain the positive momentum. This is particularly necessary when one notes the failure of the Council to meet important Bonn deadlines which must be fully respected to avoid negative consequences for the implementation process.

23. In the reporting period, both houses of the Parliamentary Assembly continued to meet regularly. However, it failed to adopt several important laws. As a consequence I decided to enforce the Law on Foreign Investment and the Law on the Flag of Bosnia and Herzegovina.

24. The latter of the aforementioned laws has brought into force a new state flag for Bosnia and Herzegovina. The new flag was raised at the United Nations in New York on 6 February and at the opening ceremony of the Winter Olympics in Nagano, Japan. The flag was designed by an independent commission which I established following the failure of the ruling parties to reach consensus. The flag has been well received by the public and can be seen in increasing numbers around the country.

25. The Parliamentary Assembly did manage to fulfil several obligations stemming from the Bonn Conclusions by adopting the Law on Customs Tariffs and ratifying several agreements most prominent of which was the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-personnel Mines and on Their Destruction.

26. The judges of the Constitutional Court pursue their work with efficiency and professionalism. The judges participated in the Round Table on Constitutional Justice, at which experts and judges of the constitutional courts of both entities and from abroad also took part. However, so far the Bosnia and Herzegovina authorities have not made any resources available to the Constitutional Court of Bosnia and Herzegovina.

27. The Standing Committee for Military Matters held its fifth session on 11 February in Sarajevo at which NATO's Bosnia Task Force made a presentation on the proposed Security Cooperation Programme. The Committee endorsed two joint statements - on the way ahead for military representation overseas, and on the Mines and Ordnance Amnesty.

28. My Military Adviser has now handed over the chair of the secretariat of the Standing Committee for Military Matters which consists of the three Presidential

Military Advisers, to a new coordinator appointed in February to develop the Standing Committee for Military Matters and its secretariat further. The ultimate aim is to make the secretariat, and thereby the Committee, self-sustaining. In March the members of the secretariat paid a successful visit to London where they had meetings in the Ministry of Defence, Foreign Office and Houses of Parliament; the important themes of democratic control over armed forces and Western approaches to arms control were discussed during the meetings. Plans are now being drawn up to strengthen the secretariat with more resources. Work is also being carried out to identify future work areas. Unfortunately the sixth session of the Standing Committee for Military Matters, scheduled for 31 March at Lukavica in the Republika Srpska, was not held owing to a protocol dispute over the positioning of the new flag of Bosnia and Herzegovina.

Essential legislation

29. My Office, together with representatives of the relevant state and entity ministries and international organizations, is working on legislation in the field of telecommunications, civil aviation and immigration. The appropriate draft laws will be forwarded to the Council of Ministers shortly. My Office and the Council of Europe are also assisting the entities in elaborating harmonized citizenship legislations. Since the beginning of March my Office is coordinating the drafting of a number of commercial laws by USAID and the European Commission.

30. Although the forthcoming general elections will still be held under the Rules and Regulations of the Provisional Election Commission, a draft Election Law for Bosnia and Herzegovina has been elaborated by my Office together with OSCE and the Council of Europe and will be presented to the Bosnia and Herzegovina authorities shortly.

31. My Office continues to be actively involved in media issues. An interim regulatory and disciplinary body, the Intermediate Standards and Licensing Commission is being established by my Office to regulate all media in Bosnia and Herzegovina, including broadcast, print and emerging electronic outlets. Additionally, it will require all broadcasters across the whole of Bosnia and Herzegovina to be licensed to a set of minimum structural and editorial standards of broadcasting. This will include a judicial body with powers of sanction to ensure compliance. The Commission will be staffed by local and international experts and officials and will include representatives of both entities and state.

32. The Bosnia and Herzegovina education authorities should cooperate with the entities in the field of higher education, particularly encouraging enrolment of students from throughout Bosnia and Herzegovina and cooperating with the entity authorities on the issue of financing. In this field, they should ensure academic freedom and self-government of institutions, promote the adequate graduation of trained professionals, and encourage the role of universities as a locus of peaceful inter-group dialogue.

Special parallel relationships and succession issues

33. The Special Parallel Relationship Agreements, respectively, between the Federal Republic of Yugoslavia and the Republika Srpska, and between the Republic of Croatia and the Federation of Bosnia and Herzegovina have still not been aligned with the Peace Agreement and the Bosnia and Herzegovina Constitution. My Office has urged the parties to immediately resume the activities of respective working groups, which my Office established in 1997.

34. Discussions on succession issues were held with all five States at plenary meetings in Brussels from 4 to 6 February and from 25 to 27 March under the chairmanship of the Special Negotiator for Succession Issues. They focused on a possible agreement on certain specific succession issues such as archives, citizenship, pensions, treaties and acquired rights as well as on possible distribution of diplomatic and consular properties and some financial assets of the former Socialist Federal Republic of Yugoslavia abroad. A compromise package was submitted to the five States by the Special Negotiator on which their response is expected by the end of April. The Conclusions of the Bonn Conference, namely access to records and data relevant to the settlement of succession issues, were also discussed.

35. Other outstanding succession issues in the broader draft Framework Agreement submitted last November by the Special Negotiator will also need to be addressed in the future, as will the future course of the negotiations on these issues.

Joint commissions

36. Activities of the Provisional Election Commission (Annex 3), chaired by OSCE, are referred to in the elections sections of this report.

37. My Office is encouraged by progress made in recent months towards the goal of securing adequate and stable funding for the Human Rights Chamber, the Human Rights Ombudsperson and the Commission for Real Property Claims. In response to my proposal to the Steering Board of the Peace Implementation Conference, the two largest donors (the European Union and the United States of America) have pledged the full amount suggested under the funding key, and a number of other Governments have made substantial contributions to the 1998 budgets of the institutions. However, the commitment by the Bosnia and Herzegovina Government to contribute DM 200,000 to each institution from its 1997 budget has not yet been met. This failure is all the more troubling given that the contribution of the Bosnia and Herzegovina Government is expected to increase incrementally with a view to assuming full responsibility by the end of the five-year transition period, as underscored by the Bonn Conclusions.

38. While the caseload of the three institutions is continuing to expand, there is still a serious lack of cooperation on the part of the authorities in ensuring that the decisions and recommendations of these institutions are effectively implemented. Mechanisms to ensure respect for the final and binding decisions of the Human Rights Chamber and the Commission for Real Property Claims as well as implementation of recommendations by the Ombudsperson and the Federation Ombudsmen should be strengthened. My Office is actively involved in

monitoring authorities' responses and coordinating intervention in cases in which the authorities have failed to meet their obligations. The drafting of implementing legislation for the Commission for Real Property Claims is under way and legislation on behalf of the Commission on Human Rights may also be necessary. Coordination among the institutions has improved and measurable progress has been made in terms of the institutions' impact in contributing to the respect for human rights and the rule of law in Bosnia and Herzegovina.

39. At its seventh session held in Banja Luka on 11 March the Commission to Preserve National Monuments in Bosnia and Herzegovina (Annex 8) has continued its important work relating to the question of the restoration of cultural heritage in Bosnia and Herzegovina. In particular, the Commission extended its selection of monuments and sites to 70 properties in both entities.

40. Significant progress has been achieved by the Commission on Public Corporations in the implementation of Annex 9 of the Peace Agreement, especially in the organization and the operation of railways: inter-entity rail traffic has resumed, albeit not regularly, and the Federation of Bosnia and Herzegovina and the Republika Srpska have recently signed an agreement establishing a joint railway Public Corporation as part of the Transportation Corporation. There also appears to be political will to create other joint public corporations: work is continuing in the field of power (particularly transmission) and discussions are taking place in other sectors. My Office remains involved in this matter and actively supports the work of the Commission.

Elections

41. Since my last report, preparations for the 1998 general elections have begun under the supervision of the Provisional Election Commission. On 11 March, the Commission agreed that elections will be held on 12 and 13 September for all levels of government with the exception of the municipal level. However, elections will also be held for the 10 new municipalities in the Federation of Bosnia and Herzegovina that have been constituted in accordance with the recently adopted Law on Split and New Municipalities.

42. The membership of the Provisional Election Commission has been expanded to include three additional, non-party- or government-affiliated members and their deputies. This should bring more transparency to the electoral process and diversify the discussions of the Commission.

43. The Provisional Election Commission has amended its rules pertaining to membership in the local election commissions and is currently working on amendments to the rules regulating political party and coalition registration. The intent of these rules is to limit the number of frivolous parties participating in the electoral process, to require parties to produce political platforms that specify issues and adhere to the principles of the Peace Agreement, and to provide more flexible coalition arrangements that will allow opposition parties to establish themselves in the political landscape. While the regulatory work of the Commission is moving forward, much still needs to be completed in time for voter registration.

44. In parallel with the preparation for general elections, the reporting period has seen an intensive joint effort on the part of my Office and OSCE to mediate in a large number of municipalities which had failed to meet the criteria for final certification. It was agreed at the Bonn Conference that municipalities where the requirements have not been fulfilled will be submitted to OSCE and my Office for final and binding arbitration. Despite our mediation efforts, nine municipalities had to be arbitrated.

45. The following municipalities went to arbitration: Bosanski Brod, Foca, Gornji Vakuf, Kresevo, Novi Travnik, Prozor, Srebrenica, Stolac and Zepce. As of the end of March the municipalities of Foca, Kresevo, Prozor and Srebrencia have not implemented the arbitration awards. The arbitration awards are final and binding and not open to appeal.

46. There is a continuing need to monitor the implementation of the municipal election results. In the light of this, a decision was adopted in the Provisional Election Commission whereby the OSCE Head of Mission, in his capacity as Chairman of the Provisional Election Commission, will retain, for a period of six months after final certification, the discretion to revoke final certification from a municipality if it violates the rules and regulations or acceptable conditions.

Federation issues

47. My Office continued to focus attention on Federation issues.

48. Following the arbitration of my Office on the establishment of the new municipality of Usora, the Law on Split and New Municipalities was adopted by the Parliamentary Assembly in January. The adoption of this law had been blocked for nearly a year and was a cause of serious disputes between the Party of Democratic Action (SDA) and the Croatian Democratic Union (HDZ) which hindered progress on other important issues.

49. The Parliamentary Assembly has, in addition, finally adopted the housing and property legislation package, bringing it into line with Annex 7 (the Law regulating Application of the Law on Temporarily Abandoned Real Property Owned by Citizens, the Law on Cessation of the Application of the Law on Abandoned Apartments and the Law on Taking Over the Law on Housing Relations). Implementation of these laws will now have to be carefully monitored and, if necessary, guided.

50. Through the intensive mediation of OSCE and my Office the 1997 municipal election results have by March been successfully implemented. Several Federation municipalities will have to be monitored to ensure observation of inter-party agreements. It is hoped that the establishment of fully functioning municipal authorities, representing both domestic and displaced residents, will play an important role in the return process in the Federation.

51. The political and security situation in the Federation continued to improve overall, despite security incidents and the lack of substantial progress in the field of returns. The successful establishment of a joint police force in most

of the cantons and recent progress in reforming the judicial systems in the two cantons with a special regime has contributed to this atmosphere.

52. There is still evidence that structures of the "Republic of Bosnia and Herzegovina" and the "Croat Republic of Herceg-Bosna" continue to operate despite the fact that they should have been disbanded following the establishment of Federation structures and common institutions of Bosnia and Herzegovina. My Office will continue its efforts to disband these parallel structures.

Republika Srpska

53. During the period under review, significant political developments have taken place in the Republika Srpska. The new Government headed by Prime Minister Dodik came to power on 18 January at the second session of the National Assembly of the Republika Srpska, elected by a majority of deputies including those having mostly been elected by displaced persons in the Federation. The new Government was elected only after the former Pale-based leadership, through the deputies of the Serbian Democratic Party (SDS) and the Serbian Radical Party (SRS), had exhausted all means and possibilities of obstructing the vote. The election of a new Government represents a major democratization step in the Republika Srpska and likely a turning point for the overall implementation of the Peace Agreement.

54. Owing not least to efforts by my Office, in close cooperation with SFOR and IPTF, the election of the new Government did not lead to a much feared split of the Republika Srpska into western and eastern parts nor to any active resistance to it on the ground. With appropriate persuasion applied by my Office, both SDS (which lost power for the first time since its establishment almost eight years ago) and SRS decided not to opt for confrontation, but to assume the role of opposition parties.

55. Although the new Government, which continues to be purely Serb, has only been in office for little more than two months, it has already demonstrated its resolve to undertake serious implementation efforts and improve inter-entity cooperation. It has also started to address the serious social and economic situation in the entity. Thanks to short-term budgetary support received from international donors, whose release is administered and monitored by my Office, the Government has managed to calm social tensions by paying long-standing salaries to several categories of public employees.

56. By the end of March, the Government established full control over military, police, judiciary and customs authorities as well as the public prosecutor's office. The most recent arrests of former customs officials and businessmen charged with customs fraud and tax evasion represent a clear intention to fight corruption and organized smuggling.

57. My Office provided some support to the new National Assembly of the Republika Srpska in order to foster democratic practice and pluralism in the Republika Srpska. In the reporting period, the Assembly held four sessions. Despite its fairly fragile majority, the government coalition managed to adopt several important decisions including the annulment of all laws adopted by the

previous National Assembly since its official dissolution by Republika Srpska President Plavsic in July 1997. The budget was also adopted as well as a decision on the change of the seat of government and its institutions from Pale to Banja Luka.

Media

58. My media strategy, which is based on three pillars, namely, (1) editorial intervention and media restructuring and regulation, (2) encouragement of independent media and the provision of alternative sources of information, and (3) an extensive public service information campaign, is now fully under way. Our primary aim is to break the monolithic control of media by government and political parties and to reorganize the media landscape in line with internationally recognized standards. Political control of information has starved the population of Bosnia and Herzegovina of the knowledge necessary to make informed judgements on the peace process. Redressing the balance of access to objective information is my most urgent priority in the run up to the September elections, and I believe our most effective means of accomplishing this is support for this media strategy. It has to be stressed that adequate funding of the strategy is urgently needed.

59. As regards the first pillar of my strategy, the situation with Srpska Radio Television (SRT) has improved dramatically during the reporting period. The restructuring of SRT is proceeding successfully and in accordance with the Restructuring Agreement signed by the Republika Srpska. The International Administrator is in place and receiving good cooperation. One of the first indications of this cooperation was the return of equipment removed from Veliki Zep. Talks are currently under way to ensure the security of the transmission sites which will allow for a withdrawal of the SFOR troops from those locations. In addition, the re-establishment of the entire SRT system has taken place with direct links to regional studios, including Pale, again operational. The new SRT Board of Governors recently appointed by the National Assembly in accordance with the model recommended by my Office has adopted the SRT statute.

60. Following the success with the restructuring of SRT in the Republika Srpska, the concentration of this effort will now be extended to the Federation. The plan for restructuring Radio Television Bosnia and Herzegovina (RTV BH) has already begun. Initial meetings have taken place with representatives of both the main communities of the Federation with the aim of establishing a new Federation television network based on a reorganized RTV BH which also enfranchises the Croat opinion. It is also intended to engineer a third channel which will form a cooperative venture between the new Federation television and SRT that will create a genuine Bosnia and Herzegovina-wide television public service broadcaster.

61. The Intermediate Media Standards and Licensing Commission will deal with the broader issue of regulation of the media in Bosnia and Herzegovina. It will aim to ensure that all broadcasters and media outlets will conform to a set of minimum standards based on western democratic principles. The establishment of this Commission is moving forward on schedule. A high-calibre team of expert media consultants have been appointed to put together the necessary structure. The Licensing Sub-Commission will be the first element to be established. The

absorption of the OSCE Media Experts Commission will take place in a phased fashion in consultation with OSCE. The Intermediate Media Standards and Licensing Commission will remain in operation until a permanent statutory commission or commissions are established under new entity and state laws on media and telecommunications. In the interim, the Standards and Licensing Commission will also be responsible for managing the transition to these statutory structures and in the development of the necessary laws.

62. Concerning the second pillar of my strategy, the largest and most ambitious independent media project is the Open Broadcast Network. A number of independent surveys and research work, notably the Prism Research survey commissioned by USAID, have found Open Broadcast Network to be making a serious impact on the television scene in Bosnia and Herzegovina. Moreover, its political relevance has been highlighted through statements by both Croatian leaders and opposition politicians who acknowledge that the Network is one of few outlets available for political debate outside the stranglehold of the leading nationalist political parties. The biggest problem facing the Network now is that of the unpredictability of funding flow. However indications are that there is an increasing understanding in the international community of the urgent need to keep this project afloat and I expect a healthy response to outstanding funding requirements at the next media pledging meeting.

63. The Public Service Information Campaign makes up the third pillar of my strategy. The intention is to provide clear information, unfettered by political dogma, to the whole population of Bosnia and Herzegovina. The production elements are currently under way, with a team in theatre and working closely with the international organizations. Preparation of the first pilot programme and advertising strand is ongoing and completion of this phase is expected soon.

Return of refugees and displaced persons

64. One of the major achievements during the reporting period was the Sarajevo Return Conference held in February under the joint chairmanship of my Office, the United States Government and the European Commission. The Conference agreed on concrete steps to be taken by the authorities and the international community to make Sarajevo a model canton for minority return and multinational coexistence. While good progress has been made in education, employment and demining, the Bosnia and Herzegovina authorities have failed to deliver in the critical sectors of housing and public security. My Office is considering corrective measures in this regard.

65. Returns to Brcko have made further progress, with reconstruction practically completed in the original six villages designated for the first phase of returns. This phase has targeted previously destroyed areas on the former front lines. The recently established multi-ethnic administration of Brcko has been engaged in the efforts to address the more sophisticated challenge of return close to areas inhabited by displaced persons and to the town itself.

66. A partial return for 8 of 14 municipalities was adopted by the Herzegovina-Neretva Canton government on 20 March. Intensive negotiations to include the

remaining six Mostar city - municipalities in the plan have been to no avail, because of the refusal of the three Croat majority municipalities to cooperate on the basis of the established principles.

67. I am encouraged that Stolac is making some progress on minority return since the Mayor was removed at my request in early March. I am working closely with SFOR and the HDZ leadership to ensure that the sporadic house-burnings that continue to mar the area will be stopped definitively and with immediate effect.

Freedom of movement

68. On 2 February the Uniform Licence Plates system was introduced following a closely coordinated effort by my Office and IPTF. An initial quota of 2,000 plates was issued to both the Federation and the Republika Srpska. In addition my Office and IPTF have worked on a Common Vehicle Registration Document which will be issued with the new licence plates. The second quota of some 200,000 licence plates is being printed and distributed all over the country.

69. The demand and the interest from car owners are enormous, representing a strong desire for full freedom of movement. In spite of the new uniform licence plate not yet being available in sufficient numbers, there has been a noticeable increase of vehicles even with old plates crossing the inter-entity boundary line.

70. Progress on freedom of movement for the Republika Srpska citizens of Bosnia and Herzegovina and displaced Serbs from Croatia in the Republika Srpska across the Bosnia and Herzegovina borders into Croatia has not been satisfactory. This issue has repeatedly been addressed with the Croatian Government which continued to uphold visa and other impediments.

71. On 25 February and 12 March 1998, the third and fourth meetings of the Border Commission were held in Banja Luka and Slavonski Brod. Attention was concentrated on customs and infrastructure. Commendable work on customs issues continues to be done by the European Commission's Customs and Fiscal Assistance Office, with current efforts directed at the opening of border crossings between the Republika Srpska and Croatia for high-duty goods. Provisions of veterinary and phyto-sanitary facilities and restrictions at crossings have also been addressed. Agreement on the opening of the Gradiska crossing for high-duty goods and provision of veterinary examination facilities was reached. Such operations began on 23 March.

72. Infrastructure issues continue to require attention. In the reporting period, my Office has focused its efforts on opening up navigation on the Sava River, resumption of railway traffic between Bosnia and Herzegovina and Croatia and the reconstruction of bridges over the Una and Sava rivers. Protocols and agreements are now being prepared which will improve prospects for freedom of movement of persons and goods.

73. Police restructuring is still not finished in two of the Federation cantons. On 6 February, my Office, jointly with IPTF, set out the concretized implementation procedures to the Federation authorities to finish the process. Also, after its completion in the two remaining cantons, IPTF will have to work

closely with the Federation authorities to further professionalize the police and to further diversify its national composition.

74. Police restructuring in the Republika Srpska is proceeding well, but not at a sufficient pace.

Missing persons, mass graves

75. The issue of missing persons remains very sensitive and is frequently manipulated by different actors for political purposes. The Working Group on Missing Persons, chaired by the International Committee of the Red Cross, continues to make it possible for representatives of the family associations to have direct contact with the relevant local authorities.

76. An important step forward has been made by the Joint Exhumation Commission, chaired by the Office of Human Resources. The Commission, comprising representatives of the three parties, is the principal forum for inter-party exhumations. During March exhumations it has become possible for the first time to work without total reciprocity. The Republika Srpska team started exhumations in Jajce on 2 March, the Croat team began exhumations in the area of Kakanj two days later and the Bosniac team in West Mostar, in the middle of March. The work continues in the same cooperative manner and so far approximately 250 bodies have been exhumed in 20 to 30 micro locations in four main areas since the beginning of March.

77. The exhumations are performed with the help of the international community. Physicians for Human Rights assists with technical and scientific expertise, sponsored by the International Commission on Missing Persons which also provides funds for demining and forensic materials. The United Nations assists with mine assessment visits to the sites and IPTF monitors the local police who are responsible for security at the sites. SFOR provides area security and the possibility for emergency evacuation.

Human rights

78. During the reporting period, there have been numerous incidents of violations of freedom of movement during assessment visits of potential returnees, as well as continued allegations of harassment and intimidation against members of minority groups in all regions. Of particular concern is the situation in Teslic municipality where there have been nine serious allegations of police abuse since the current Chief of Police assumed his position in late October 1997, including five cases since my last report. IPTF has conducted an investigation into these cases as well as allegations of the failure of Teslic local police to respond effectively to other human rights violations, and it is essential that the recommendations included in the IPTF report be fully implemented. Destruction of property and violence directed against returnees and minority residents, in places such as Drvar, Stolac and Travnik, continues to impede return of refugees and displaced persons.

79. Significant advances have been made with respect to property and housing laws. Through the adoption of these laws, the Federation National Assembly has

put in place the essential legal framework for return of refugees and displaced persons to their pre-war homes.

80. The focus in the Federation has now turned to the difficult task of ensuring that these laws are implemented thoroughly and promptly, in a manner fully consistent with their letter and spirit. At the same time, the new Government of Republika Srpska has established a working group to develop property and housing law amendments. Initial drafts have been prepared, and my Office is working with Republika Srpska authorities to ensure that the proposed laws comply with Annex 7 and are consistent with laws adopted within the Federation.

Strengthening the rule of law and cooperation with the International Tribunal for the Former Yugoslavia

81. Judicial system reform remains a priority for 1998. Following the Bonn Conclusions, a number of steps have been taken to ensure accelerated progress in this field, including enhanced coordination of activities by my Office. Effective monitoring of the judicial system is a precondition for this work, and UNMIBH's proposal for additional resources to undertake this critical task is strongly supported.

82. Recent developments have again confirmed that the independence and effectiveness of the judiciary remains compromised by flaws in the judicial appointment process. A comprehensive process is needed to ensure that judicial appointments are based on merit rather than political criteria, and to ensure that all ethnic groups are fairly represented in the judicial system. At the same time, training programmes for legal professionals, including the initiative to establish a judicial training institute for Bosnia and Herzegovina, should be supported. Efforts to establish an inter-entity commission for judicial cooperation have moved forward, with the decision by the Presidency of Bosnia and Herzegovina to establish the Commission. However, the necessary appointments to the Commission have not yet been made, and the Commission is not yet functioning.

83. In January, SFOR troops detained a Bosnian Serb in Bijeljina indicated by the International Tribunal for the Former Yugoslavia for war crimes. At the same time, cooperation with Republika Srpska authorities has increased significantly with the voluntary surrender of three Bosnian Serbs to SFOR troops in February and one Bosnian Serb in March. Nevertheless, two persons subject to publicly disclosed indictments (both Croats) remain at large in the Federation, while 47 Serbs publicly indicted by the Tribunal are not in custody.

84. Federation authorities arrested three Bosnian Serb men during the past month on war crimes charges; one of them was subsequently released when the investigating judge accepted his claim of mistaken identity. In one case, IPTF has issued a report strongly criticizing the manner in which the arrest and interrogation were conducted, and making broad recommendations for reform of police procedures. While these arrests raised concerns under the Rome Agreement (rules of the road), Federation authorities responded promptly to rectify the problems identified. It is essential, however, that both the Federation and the Republika Srpska follow the rules of the road to the letter, including the

requirement that a file must be submitted and a response received from the Tribunal Prosecutor prior to any arrest. My Office will continue to work to ensure full understanding and implementation of the rules of the road in the coming months.

85. My Office also remains actively involved in efforts currently under way to reform the legal framework applicable to non-governmental organizations to establish a proper legal and security environment which supports the development of civil society organizations. Non-governmental organizations are vital to pluralism and democracy and they are important vehicles for communication and cooperation among the communities in the various regions of Bosnia and Herzegovina. The current legal framework hinders the development of such organizations, in particular of those non-governmental organizations which undertake country-wide activities. My Office supports locally based efforts to develop a sound legislative framework which will regulate and stimulate activities of non-governmental organizations such as trade unions, citizens groups, cultural and sports associations in both entities. The authorities of both the Republika Srpska and the Federation have acknowledged the need for such a comprehensive, legislatory framework and have expressed willingness to be supportive of this process.

Economic reform and reconstruction

86. The Bonn Conference demanded that the competent authorities of Bosnia and Herzegovina reach agreement on several relevant issues in the field of economic management. Considerable progress was made regarding the common currency, the Law on Customs Tariffs, the Law on Foreign Investment, and the 1998 budgets of the State and the entities.

87. As the Presidency of Bosnia and Herzegovina could not come to a final agreement on the designs for the common currency, I was compelled to use my mandate for arbitration. The designs for the notes were presented to the public and will be issued as of the beginning of May. The common currency will facilitate trade between the entities, and will contribute to a mutual strengthening of their economies.

88. At my request, the European Union and the Governments of Canada, the Netherlands, Sweden, the United Kingdom of Great Britain and Northern Ireland and the United States of America decided to provide extraordinary budgetary support to the new Government of the Republika Srpska. The funds are used to clear the arrears of salaries in all public sectors except for the Ministries of the Interior and Defence. Contributions received to date amount to about DM 18 million.

89. In the period under review, some important progress has been made on new projects from major donors. The World Bank has started implementation of two projects to which it pledged $27 million. Total costs will amount to $109 million of which $65 million is for reconstruction in the Republika Srpska and $44 million for a gas project in the Federation of Bosnia and Herzegovina. Furthermore, Parliament has ratified an energy project of the European Bank for Reconstruction and Development worth $15 million and a telecommunications project of $20 million is recently approved. The European Commission will sign

contracts on 2 April worth $69 million. These contracts are part of an integrated reconstruction and return programme with total project costs of $141 million. This project will provide new housing for about 20,000 people. Additionally, the European Commission has signed a memorandum of understanding that it will continue the existing demining project of $11 million in 1998, pledging an additional $2.7 million.

90. The 1998 budget of the Republika Srpska was adopted by the National Assembly in March. The budget of the Federation of Bosnia and Herzegovina is about to be adopted by its Parliament. The two budgets have made provisions for the State budget and the servicing of external debt. For both items there are automatic transfers, as demanded by the Bonn Conference, but a final agreement on this issue with the International Monetary Fund is not yet reached.

91. At my instigation the Government of the Republika Srpska has halted the existing privatization programme. The process of privatization was lacking transparency and therefore unacceptable. With the help of several international donor agencies, a new programme is being designed which would facilitate the transition towards a market economy based on private investment.

92. The programme of privatization in the Federation of Bosnia and Herzegovina is still in the preparation phase. However, most of the essential laws have been passed by Parliament. Some doubts have arisen as to the fate of assets which were either socially owned or owned by the State of Bosnia and Herzegovina in its previous internal structure of the Republic of Bosnia and Herzegovina. The purpose of the privatization law is to create a secure legal environment for the privatization process by the two entities.

93. The first post-war delivery of mail from Sarajevo to Banja Luka took place in early February. Further negotiations by my Office led to an agreement on 25 March on the text of a memorandum of understanding concerning the resumption of inter-entity mail transports. The parties stated a strong desire to move forward and to look into options for restructuring the sector.

94. During the reporting period, inter-entity phone links were significantly improved. As a result of the European Commission reconstruction project which created a backbone in the Republika Srpska, three links each of 30 lines were made operational at the end of March. My Office has negotiated for an additional 30 lines between Sarajevo and Banja Luka to become available as from the beginning of April. Also, the Telecommunications Commission has met twice to discuss issues of inter-entity and international telecommunications. Significant progress has also been made in developing a State-level law on telecommunications.

95. In order to complete the new customs legal regime, a new customs code is essential. A working group, with the help of experts from the European Commission Customs and Fiscal Assistance Office, is close to an agreement on a final text for the code. The new code will replace the existing interim Customs Policy Law, and will introduce modern customs procedures based on the existing European Customs Code and other international legislation.

96. As part of efforts in the fight against corruption and diversion of funds in Bosnia and Herzegovina, my Office chaired a conference on this topic in Mons, Belgium. The conference was attended by SFOR, NATO, IPTF, the European Commission, the World Bank, the United States Treasury, and USAID and focused on the areas to be strengthened. My Office intends to activate its anti-fraud unit, mainly tasked to support the judicial authorities in dealing with corruption cases.

97. In May the fourth donor conference for Bosnia and Herzegovina could be held, if preconditions including a letter of intent on a stand-by agreement from the International Monetary Fund are fulfilled. The Conference will be organized by the European Commission and the World Bank. The target set for international aid at the end of the war was $5.1 billion. At the previous three Conferences, donors pledged a total of $3.4 billion. I am confident that the upcoming conference will show a continued willingness of the international community to support the peace process.

98. Recently, my economic department has renewed the initiative of bringing representatives of the two entities together regarding trade within the whole of Bosnia and Herzegovina. So far, incompatible tax systems and a lack of coordination have damaged trade and resulted in evasion of taxes. Policy coordination should result in restored trade relations which will benefit both the Federation and the Republika Srpska.

Civil aviation

99. There is some encouraging progress in civil aviation. More air companies from European countries are preparing to fly into airports in Bosnia and Herzegovina. Arrangements between the authorities of Bosnia and Herzegovina and the Federal Republic of Yugoslavia and commercial companies have led to Yugoslav Airlines flying to Banja Luka, as well as Yugoslav and Bosnia and Herzegovina air companies preparing joint ventures between Belgrade, Sarajevo and Banja Luka and between Podgorica and Sarajevo. On 2 March, the Department of Civil Aviation of Bosnia and Herzegovina signed a bilateral agreement with Eurocontrol regarding overflight charges. As soon as respective rules are published in the Official Gazette of Bosnia and Herzegovina, Eurocontrol will begin the collection and distribution of fees. The average income for Bosnia and Herzegovina is assessed to be about US$ 100,000 a month.

100. Despite extensive discussions and insistence by my Office, the Bosniac and Bosnian Croat authorities could not find agreement on the modalities for opening Mostar Airport. I have therefore imposed an interim solution in order to allow for the opening of the airport in April for a period of six months. I shall continue to press the parties to come to a permanent agreement within this time. It is inconceivable that the international community should provide money to help reconstruct Mostar while commercial opportunities are being thrown away.

Mine clearance

101. In response to the requirements of the Bonn Conference on landmines the Federation and the Republika Srpska confirmed their full compliance in relation to the anti-personnel mines. The Board of Donors has decided that in order to

ensure international donor confidence on demining in Bosnia and Herzegovina, the authorities need to commit themselves on all landmines. Further clarification is being pursued.

102. The Board of Donors has approved the Decree on the Establishment of the Federation Mine Action Centre. The Federation has now adopted the Board's draft decree with some minor amendments and its official publication is expected shortly.

103. The Government of the Republika Srpska has still not produced its Mine Action Centre Decree and the Office of the High Representative is taking measures to ensure its adoption.

104. Through the Board of Donors, there is now much improved coordination between SFOR and civilian demining. In particular, SFOR is participating fully in the formulation of the entity mine action plans and ensuring that entity forces mine removal enhances civilian demining programmes.

IV. COOPERATION WITH THE STABILIZATION FORCE

105. As the pace of civil implementation increases, my Office and SFOR continue to work ever more closely together further enhancing their mutual cooperation. The decision of the NATO Atlantic Council to extend the mandate of SFOR has been instrumental in enabling all civilian agencies to make firm plans for 1998. The secure environment that SFOR provides is the sine qua non of all current progress, and is likely to remain so. Overall cooperation with, and support from, SFOR continues to be outstanding.